



# Annual Audit Letter 2017-18

South West London and St. George's  
Mental Health NHS Trust

12 June 2018

# Contents

The contacts at KPMG in connection with this report are:

Neil Hewitson  
Director

Tel: +44 (0) 790 999 1009  
Neil.Hewitson@KPMG.co.uk

Sarah McKean  
Manager

Tel: +44 (0) 778 538 1142  
Sarah.McKean@KPMG.co.uk

**Page**

<b>Introduction</b>	<b>3</b>
<b>Headlines</b>	<b>6</b>
<b>Appendices</b>	<b>8</b>
A. Summary of our reports issued	

This report is addressed to South West London and St. George's Mental Health (the Trust) and has been prepared for the sole use of the Trust. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.



# Introduction

# Introduction

## Background

This Annual Audit Letter (the letter) summarises the key issues arising from our 2017-18 audit at South West London and St. George's Mental Health NHS Trust (the Trust). Although this letter is addressed to the directors of the Trust, it is also intended to communicate these issues to external stakeholders, such as members of the public. It is the responsibility of the Trust to publish the letter on the Trust's website at [www.swlstg.nhs.uk](http://www.swlstg.nhs.uk).

In the letter we highlight areas of good performance and also provide recommendations to help the Trust improve performance. We have reported all the issues in this letter to the Trust during the year and we have provided a list of our reports in Appendix A.

## Scope of our audit

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. Our main responsibility is to carry out an audit that meets the requirements of the National Audit Office's Code of Audit Practice (the Code) which requires us to report on:

<b>Financial Statements including the Annual Governance Statement</b>	We provide an opinion on the Trust's accounts. That is whether we believe the accounts give a true and fair view of the financial affairs of the Trust and of the income and expenditure recorded during the year.  We also confirm that the Trust has complied with the Department of Health (DoH) requirements in the preparation of its Annual Governance Statement. We also confirm that the balances you have prepared for consolidation into the Whole of Government Accounts (WGA) are not inconsistent with our other work.
<b>Value for Money (VFM) arrangements</b>	We conclude on the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Trust's use of resources.

## Adding value from the External Audit service

We have added value to the Trust from our service throughout the year through our:

- Attendance at meetings with members of the Executive Team and Audit Committee to present our audit findings, broaden our knowledge of the Trust and to provide insight from sector developments and examples of best practice;
- A proactive and pragmatic approach to issues arising in the production of the financial statements to ensure that our opinion is delivered on time;
- Building a strong and effective working relationship with Internal Audit to maximise assurance to the Audit Committee, avoid duplication and provide value for money.

# Introduction (cont.)

## Fees

Our fee for 2017-18 financial statement audit was £46,800 excluding VAT. This was in line with the fee agreed at the start of the year with the Trust's board.

We have also completed the following pieces of work at the Trust during the year:

<b>Quality Accounts audit</b>	Our scope covers a review of content to ensure it addresses the requirements set out in the Quality Accounts Regulations, a review of content in the quality accounts for consistency with other information by the Department of Health in its 'Auditor Guidance 2014/15', and testing of two mandated indicators, which require a public opinion, chosen by the Trust from a list of three available indicators as specified by the Department of Health in its guidance.  The fee for this work was £9,000.
-------------------------------	--

## Acknowledgement

We would like to take this opportunity to thank the officers of the Trust for their support throughout the year.



# Headlines

# Headlines

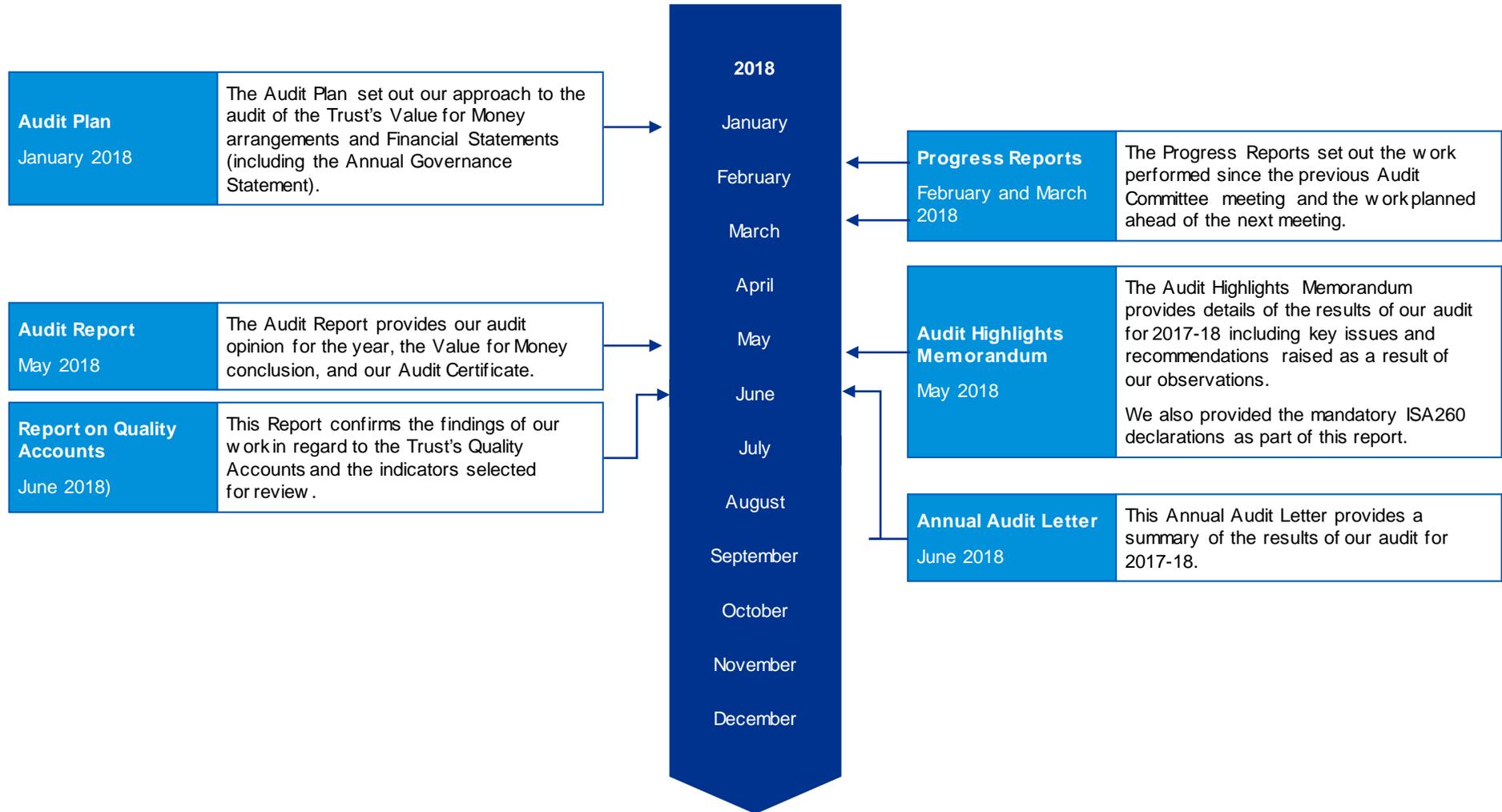
This section summarises the key messages from our work during 2017-18.

<b>Value for Money (VFM) conclusion</b>	We are required to report to you if we are not satisfied that the Trust has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Based on the findings of our work, we have nothing to report.
<b>Value for Money conclusion risk areas</b>	We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks. Our work did not identify any significant risks.
<b>Financial Statements audit opinion</b>	We issued an unqualified opinion on the Trust's accounts on 25 May 2018. This means that we believe the accounts give a true and fair view of the financial affairs of the Trust and of the income and expenditure recorded during the year. There were no significant adjusted or unadjusted audit differences that were identified as part of the audit. There were no significant matters which we were required to report to 'those charged with governance'
<b>Financial statements audit work undertaken</b>	<p>We are required to apply the concept of materiality in planning and performing our audit. We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. Our materiality for the audit was £3.2 million.</p> <p>We identified the following risk of material misstatement in the financial statements as part of our External Audit Plan 2017-18:</p> <ul style="list-style-type: none"> <li>— Valuation of land and buildings – The asset valuation process involves judgments and estimates and therefore presents a higher level of risk to the audit. We assessed the Trust's valuer, methodology and assumptions and tested the completeness and accuracy of underlying data. No significant issues arose based on this work.</li> <li>— Recognition of NHS and non-NHS income – There is a rebuttable presumption that the recognition of income is a significant audit risk. We sought explanations for variances over the NAO threshold (£300k) as part of the Agreement of Balances exercise. We also selected an additional sample of NHS and non-NHS income and agreed back to supporting evidence and cash receipts. No significant issues arose based on this work.</li> <li>— Management override of controls - Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. During our procedures, including testing of journal entries, accounting estimates and significant transactions outside the normal course of business, no instances of fraud were identified.</li> </ul>
<b>Annual Governance Statement</b>	We have also confirmed that the Trust have complied with the Department of Health requirements in the preparation of the Trust's Annual Governance Statement. No significant adjustments were required to the Annual Governance Statement.
<b>Recommendations</b>	We are pleased to report that there are no high risk recommendations arising from our 2017-18 audit work.
<b>Public Interest Reporting</b>	We have a responsibility to consider whether there is a need to issue a public interest report or whether there are any issues which require referral to the Secretary of State. We did not issue a report in the public interest or refer any matters to the Secretary of State in 2017-18.



# Appendices

# Summary of our reports issued





The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. | Create Graphics: CRT061249A